

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0252-01
Bill No.: HB 136
Subject: Property, Real and Personal: Taxation and Revenue - Property
Type: Original
Date: January 29, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	\$0	(Unknown)
State School Moneys	\$0	\$0	\$0
Blind Pension	\$0	\$0	(Greater than \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	(Greater than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education** assume that changing the assessment cycle from two to four years would reduce assessed valuations for two years longer than current procedures and would, by reducing the local deduction, increase the cost to fully fund the Foundation Formula. They can not estimate the magnitude of the increase because they can not predict how much the local deduction would be decreased compared to current law. (The Formula still contains provisions for pro-rating some payments if the Formula is not fully funded.)

Officials at the **State Tax Commission** assume the proposal would not directly affect their budget. They did note that changing the assessment period from two years to four years would cause local governments (and the Blind Pension Fund) to tax part of natural growth every four years instead of every two years. They also note that inequities in assessments would be allowed to exist for four years instead of two. They note that provisions concerning assessment of certain properties would not have a large effect overall, but could be significant to individual taxpayers.

Oversight estimates decreased income to the Blind Pension Fund would exceed \$100,000 per year beginning in FY 2004 since the tax rate for that Fund is not subject to tax rate ceiling rollbacks. (E.g. If the latest reassessment had not taken place, the Fund would have received approximately \$750,000 less than it received.)

The **Cole County Assessor** stated, in responses to similar proposals, that the administrative effects of the proposal on that office would be minimal.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost</u> - Increased transfers to State School Moneys Fund	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>(UNKNOWN)</u>
STATE SCHOOL MONEYS FUND			
<u>Income</u> - Increase Transfers from General Revenue Fund	\$0	\$0	Unknown
<u>Cost</u> - Increased Distributions to School Districts	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	\$0	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
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BLIND PENSION FUND

<u>Loss</u> - Decreased Collections	\$0	\$0	(Greater than \$100,000)
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ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>(Greater than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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POLITICAL SUBDIVISIONS

<u>Loss</u> - Decreased Collections	\$0	\$0	(Unknown)
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NET EFFECT TO POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Small Business

Small Businesses which are subject to real property taxes would be affected by this proposal.

DESCRIPTION

The proposal would: 1) beginning January 1, 2002, replace the current two-year real property reassessment cycle with a four-year cycle, 2) provide that new construction be assessed as though built in the last reassessment year, 3) provide that property acquired by tax-exempt organizations remain taxable until the organization begins to use the property for tax-exempt purposes, and 4) change the definition of "comparable" property used by assessors in certain counties to determine valuations of parcels of real property.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal could affect Total State Revenues.

SOURCES OF INFORMATION

State Tax Commission
Department of Elementary and Secondary Education

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 29, 2001